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In Our Opinion...

The Newsletter of the AICPA Auditing Standards Division

Volume 5 Number 3

July 1989

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THE NEW ASB PLANNING COMMITTEE

by Mark S. Beasley

In a move to increase public representation in the agenda-setting process of the Auditing Standards Board (ASB), the AICPA has created the new ASB Planning Committee. This action is in response to a recommendation of the National Commission on Fraudulent Financial Reporting—commonly known as the Treadway Commission—suggesting public participation on the ASB. While the AICPA's response does not include changes to the composition of the ASB, the creation of the Planning Committee with individuals representing the public, as well as members representing the profession, is designed to achieve the objectives sought by the Treadway Commission. Here's a look at the AICPA's action.

Seven individuals serve on the Planning Committee. Three members represent public interests and three ASB members represent the profession. The ASB Chairman serves as Chairman of the Planning Committee. The other members are appointed for a one-year term and may be appointed for up to three terms. Here is the roster of the Planning Committee:

Chairman—Planning Committee

Donald L. Neebes
ASB Chairman
Partner—Ernst & Whinney
Cleveland, Ohio

Public Members

Barbara Hackman Franklin
Management Consultant
President and Chief Operating Officer
Franklin Associates
Washington, DC

Recently named by President Bush to the Advisory Committee for Trade Policy and Negotiations; Director on six corporate boards and related audit committees

Larry P. Scriggins
Attorney
Partner—Piper & Marbury
Baltimore, Maryland

Member of numerous American Bar Association committees including the Audit Inquiry and the Law and Accounting Committees

Stephen A. Zeff
Professor of Accounting
Rice University
Houston, Texas

Author of numerous textbooks and articles with particular emphasis on accounting history and the accounting standards process

Members Representing the Profession

Harold L. Monk
ASB Member
Partner—Davis, Monk, Farnsworth & Co.
Gainesville, Florida

Morton B. Solomon
ASB Member
Partner—Peat Marwick Main & Co.
New York, New York

John B. Sullivan
ASB Member
Partner—Deloitte Haskins & Sells
New York, New York

The Planning Committee's primary responsibility is to establish the agenda and monitor the progress of ASB projects. In fulfilling its responsibilities, the Planning Committee monitors whether the ASB is responding to issues not only of the auditing profession, but also issues of the public—the reference to “public” means users of auditing products who might, for example, include investors, share-

THE NEW ASB PLANNING COMMITTEE

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holders, regulators, audit committee members and boards of directors. Before the creation of the Planning Committee, the agenda oversight responsibility was fulfilled by a committee composed solely of ASB members—which also had responsibility for the review of technical issues. To emphasize the focus on agenda oversight, the AICPA eliminated this committee. The technical review responsibility is now fulfilled by an Audit Issues Task Force. The agenda-setting process is now the responsibility of the Planning Committee, which will be able to look beyond the technical aspects of the standards-setting process to ensure that the ASB's agenda reflects a broad range of needs.

In addition to agenda oversight, the public members on

the Planning Committee will periodically meet with groups representing interests outside of the auditing profession. Such groups include the Securities and Exchange Commission, the Public Oversight Board, the AICPA's Quality Control Inquiry Committee, the American Bar Association, and the Financial Executives Institute. The interaction between the public members of the Planning Committee and liaison groups will enhance the awareness of public interests in the standards-setting process.

The AICPA views the creation of the Planning Committee as an action that will ensure that the ASB's agenda serves both interests of the public and the profession—an objective sought by the Treadway Commission.

TECHNICAL PLAN HIGHLIGHTS

Letters for Underwriters (AICPA Staff: JANE MANCINO). The Auditing Standards Board (ASB) is considering revisions to SAS No. 49, *Letters for Underwriters*, to reconcile that SAS with services that can be performed under the Attestation Standards. *Schedule*: The ASB will consider revised guidance at its September meeting.

Service Center Produced Records (CAROLYN MONCHELLI). The ASB is considering superseding SAS No. 44, *Special-Purpose Reports on Internal Accounting Control at Service Organizations*, to meet the needs of auditors of organizations using service centers and to conform that SAS with SAS No. 55, *Consideration of the Internal Control Structure in a Financial Statement Audit*. *Schedule*: The ASB plans to consider proposed guidance at its September meeting.

Audit Sampling (RAY WHITTINGTON). The *Audit Sampling* audit guide will be updated to conform the guide to the terminology in several recent SASs to provide better "how to" guidance for applying SAS No. 39, *Audit Sampling*. *Schedule*: The revised audit guide will be available in the third quarter, 1990.

Control Risk Audit Guide (MIMI BLANCO-BEST). The ASB is developing an audit guide to assist auditors in implementing the new requirements of SAS No. 55, *Consideration of the Internal Control Structure in a Financial Statement Audit*. *Schedule*: The proposed audit guide will be exposed by September 1989, prior to the effective date of SAS No. 55.

Updated Audit Reports (PATRICK MCNAMEE). The Auditing Standards Division, working with various AICPA committees, is developing guidance that will update existing audit guides to reflect the new reporting requirements of SAS No. 58, *Reports on Audited Financial Statements*, and

SAS No. 60, *Communication of Internal Control Structure Related Matters Noted in an Audit*. A statement of position on internal control reports for brokers and dealers in securities was issued in May 1989 (see "Recent Division Publications," on page 3). *Schedule*: A statement of position amending the audit guide for state and local governments will be issued in the third quarter, 1989.

Auditing Procedure Study: Audits of Small Businesses (DOUG SAUTER). The auditing procedure study *Audits of Small Businesses* is being revised to reflect SAS Nos. 53-61. The chapters on evaluating internal controls and on analytical procedures will be revised to discuss the implementation of SAS Nos. 55 and 56, *Consideration of the Internal Control Structure in a Financial Statement Audit* and *Analytical Procedures*, in the small business audit. Other changes will be made throughout the study to provide guidance that is consistent with the standards. *Schedule*: The revised auditing procedure study will be available in the spring of 1990.

Codification Framework (JANE MANCINO). The ASB is discussing a revision to the framework of the Codification of Statements on Auditing Standards that will make the Codification more useful to practitioners. *Schedule*: The ASB will discuss further development of a proposed framework at its September meeting.

Reporting on Internal Control (CAROLYN MONCHELLI). The ASB is considering alternative models for general purpose reporting on an entity's internal control structure, determining the circumstances in which each of those models is appropriate for such reporting, and developing performance and reporting guidance under each of the appropriate models. *Schedule*: At its September meeting, the ASB will discuss issues related to providing limited assurance about an entity's internal control structure.

TECHNICAL PLAN HIGHLIGHTS

(continued from page 2)

Reliance on Internal Audit (CAROLYN MONCHELLI). The ASB is considering revisions to SAS No. 9, *The Effect of an Internal Audit Function on the Scope of the Independent Auditor's Examination*, to reflect the audit risk model, SAS No. 55, and current practice. *Schedule*: The ASB will discuss a revised draft of a proposed SAS at its September meeting.

Internal Auditor Procedure Study (RAY WHITTINGTON). The Auditing Standards Division, in conjunction with the Canadian Institute of Chartered Accountants, is preparing an auditing procedure study on the use of internal auditors. *Schedule*: This procedure study will be published in the third quarter, 1989.

Use of Confirmations (DOUG SAUTER). The ASB created a task force to develop guidance on the use of all types of confirmation procedures in audit engagements. The task force has proposed changes to the standard bank confirmation form and a notice to practitioners that explains the revisions. At the June 1989 ASB meeting, the task force presented issues related to the use of other types of confirmations. The ASB directed the task force to draft guidance on the use of confirmations in obtaining

evidential matter in an audit. *Schedule*: The projected issuance of the revised bank confirmation form is pending approval by committees of the banking industry. The ASB plans to consider the proposed guidance on the use of other types of confirmations at its September meeting.

Financial Forecasts and Projections (MIMI BLANCO-BEST). The ASB created the Forecasts and Projections Task Force to deal with problems encountered in implementing the guidance in the Statement on Standards for Accountant's Services on Prospective Financial Information. An exposure draft of a proposed statement of position titled *Accountants' Services on Prospective Financial Statements for Internal Use Only and Partial Presentations* was issued in April, 1989. *Schedule*: The comment period ends July 25, 1989.

Computer Auditing (JANE MANCINO). The Computer Auditing Subcommittee is currently drafting guidance in the form of an auditing procedure study that addresses the implementation of SAS No. 55, *Consideration of the Internal Control Structure in a Financial Statement Audit*, in a larger computer environment. *Schedule*: The procedure study will be published in the third quarter, 1989.

RECENT DIVISION PUBLICATIONS

In April the Auditing Standards Division published two new Statements on Auditing Standards: SAS No. 62, *Special Reports* (product number 060622), and SAS No. 63, *Compliance Auditing Applicable to Governmental Entities and Other Recipients of Governmental Financial Assistance* (product number 060637).

Two statements of position from the Auditing Standards Division were issued: SOP 89-3, *Questions Concerning Accountants' Services on Prospective Financial Statements* (product number 014802), and SOP 89-4, *Reports on the Internal Control Structure in Audits of Brokers and Dealers in Securities* (product number 014821).

An exposure draft of a proposed statement of position has been issued by the Auditing Standards Division: *Accountants' Services on Prospective Financial Statements for Internal Use Only and Partial Presentations* (product number G00395).

The division has also published, "Implementing the Expectation Gap Auditing Standards," a collection of articles on SAS Nos. 53 through 61, which appeared in the *Journal of Accountancy* over the last year (product number 060680).

Each of these publications can be obtained by writing to:

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